

FUND BALANCE

Why is the level of Fund Balance important to the City?

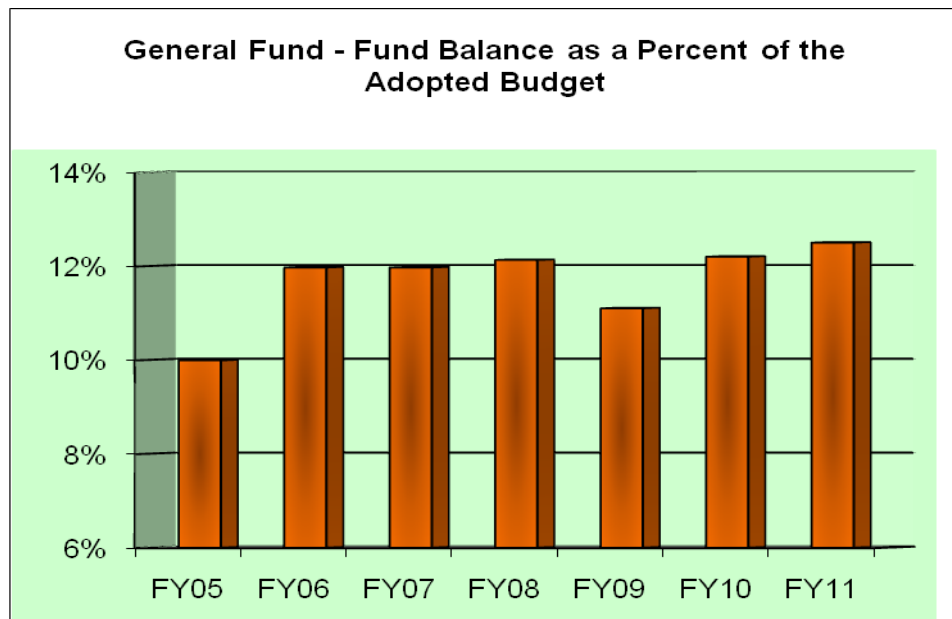
It is important to maintain fund balance in the major operating funds at a level that would be sufficient to provide a financial cushion in the event of unanticipated events, such as a loss or major reduction of a revenue source, a sudden economic downturn, or natural disasters.

For the General Fund, the North Carolina Local Government Commission (NCLGC) strongly recommends an unreserved fund balance of 8% of prior year total budget appropriations. The NCLGC defines fund balance in a prescribed manner that is not exactly the same as the CAFR unrestricted fund balance. The City calculates fund balance on the total of the General Fund next year budget appropriation, minus appropriations for debt service and transfers to other funds. The two calculations are, therefore, not directly comparable. Bond rating agencies regard the level of fund balance in the General Fund as one indicator of credit worthiness when considering bond ratings.

For the General Fund, appropriations from fund balance are generally subject to a City Council policy that limits such appropriations to the equivalent of four cents on the tax rate over the two-year budget cycle. The City's current policy is to also maintain a fund balance of 12%. For FY 2010-11 the adopted fund balance of 12.5% is a result of the reduction in General Fund and an appropriation from fund balance for subsequent year's expenditures. The actual Undesignated Fund Balance will be determined following the annual audit of revenues and expenditures for FY 2009-10. The City does not have a Fund Balance policy for the Enterprise and Special Funds; however financial prudence dictates that these funds should also maintain a reasonable level of Net Cash Assets to cover unanticipated costs.

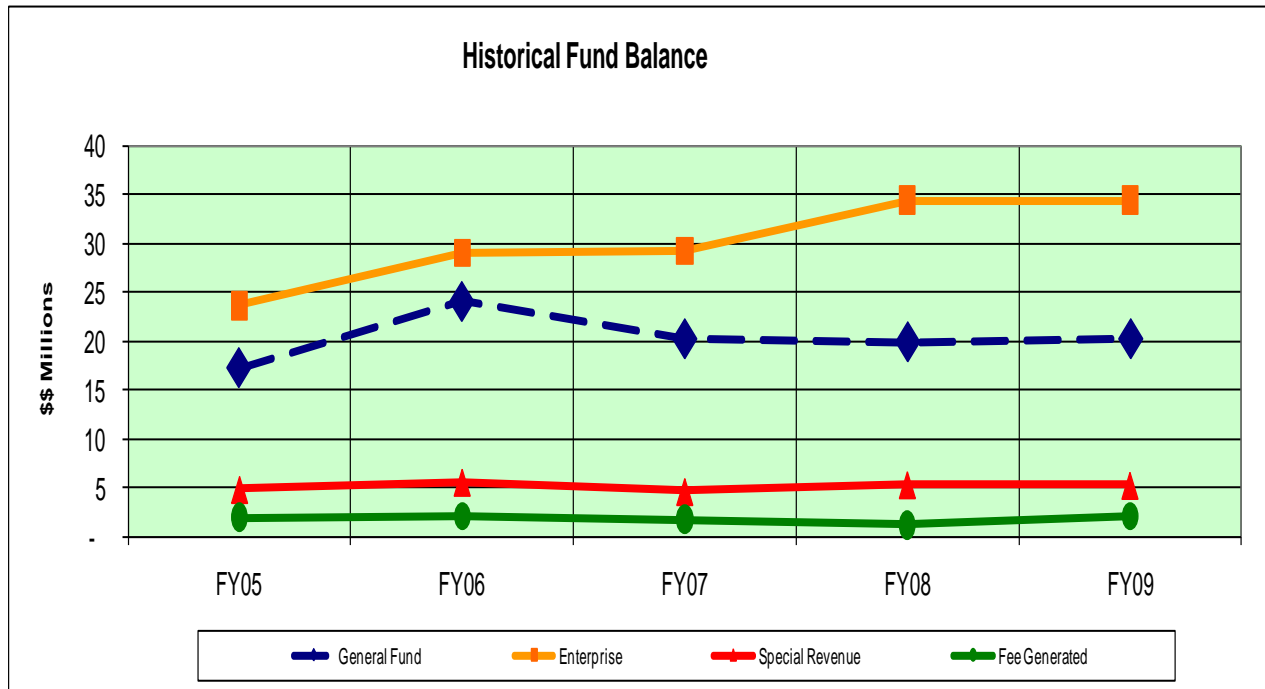
Estimated Change In Unrestricted Fund Balance – General Fund

	Fund Balance Amount	Percent of Adjusted Appropriations
Total unrestricted fund balance available for appropriation at June 30, 2009	\$ 23,307,978	
Minus: appropriation from Fund Balance for subsequent year's expenditures	(3,104,397)	
Minus: designated for subsequent year's expenditures	-	
Total unrestricted fund balance at June 30, 2009	\$ 20,203,581	
Add: Estimated Addition/(Reduction) during FY 2009	-	
Total unrestricted fund balance available for appropriation at June 30, 2009	\$ 20,203,581	
Add: Grant/Project Close Outs and Return to Fund Balance	-	
Add: Estimated FY10 General Fund budgets returned to Fund Balance	-	
Minus: appropriation from fund balance for subsequent year's expenditures	-	
Total unrestricted fund balance at June 30, 2010	\$ 20,203,581	12.5%



Estimated Changes in Fund Balance – Appropriated Funds

	General Fund Unrestricted	Enterprise Funds (*)	Special Revenue Funds (*)	Fee Generated Funds (*)
Estimated Beginning Balance FY 10	\$ 20,203,581	\$ 34,385,782	\$ 5,245,968	\$ 2,036,917
Budget Revenues FY 11	205,629,315	115,596,980	5,146,023	5,942,053
Budgeted Expenditures FY 11	(187,259,818)	(115,761,883)	(7,163,499)	(2,817,879)
Transfers In	380,666	10,461,422	989,849	-
Transfers Out	(18,750,164)	(9,512,589)	(194,000)	(306,295)
Estimated Ending Balance FY 10	<u>\$ 20,203,581</u>	<u>\$ 35,169,712</u>	<u>\$ 4,024,341</u>	<u>\$ 4,854,796</u>
Percent of Adjusted Appropriations	12%	45%	78%	79%



(*) Note: Transfers to specific capital project funds will impact the fund balance of Enterprise, Special Revenue and Fee Generated Funds. Enterprise fund balance is not inclusive of enterprise funds in capital project accounts.